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FROM
AMEMBASSY BUENOS AIRES

CLASSIFICATION
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E O. 11652 GDS
TAGS: PINS SHUM AR
SUBJECT: Summary of Basic Elements Involved in Graiver Scandal

ACTION: SECSTATE WASHDC [redacted] IMMEDIATE

~~CONFIDENTIAL~~ BUENOS AIRES 2820

1. Embassy's summary of information leaked to the press thus far concerning alleged findings of the military investigation of the Graiver affair being submitted by septel. Press over the last few days has had a field day reporting a complicated series of allegations involving a wide range of individuals and potentially being of great political significance. Objective of this cable is to summarize what appears at this point to be the main elements or issues involved, as follows:

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(a) Over the past several weeks there has been a spate of kidnappings of journalists, at least some of whom may be related to the ongoing investigation of the Graiver affair. In the case of Timerman and Jara of La Opinion, the midnight seizures have been--belatedly--acknowledged by military authorities as having been official detentions. The following other disappearances have not yet been exp : Hector Ferreiros, former Telam

DRAFTED BY: A/POLCOUNS: :ir
DRAFTING DA: 4/18/77
TEL EXT: 121
CONTENTS AND CLASSIFICATION APPROVED BY: AMB:RCHill
DCM:MChaplin

CLEARANCES

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January 1975
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Approved for Release: 2018/10/01 C06626855

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reporter and reportedly a collaborator of both ex-President Lanusse and General Della Tea, was found shot to death in a field on April 5; Edgardo Sajon, former press secretary in the Lanusse government and a La Opinion printing dept head disappeared over two weeks ago; Enrique Raab, ex- La Opinion reporter, was abducted from his home on April 16 by a group of men in civilian clothes who machinegunned down his front door.

(b) The investigation of the Graiver financial empire presumably began around the time of or shortly after David Graiver's alleged death in an airplane accident in August 1976 in Mexico. The investigation, according to news leaks, covers two principal issues: (1) alleged connections between the Graiver financial interests and the Montoneros; and (2) fraudulent financial practices of the Graiver interests and others related to them. The essence of the charge concerning Graiver's alleged links to the Montoneros is that the Montoneros deposited a sum of money estimated as between 12 and 25 million dollars in Graiver banks from which they drew interest for their operations in Argentina. The alleged deposits chiefly came from ransom money. Graiver allegedly used the money to found new banking establishments abroad. According to one version, Graiver was introduced to the Montoneros through former Peronist Economy Minister Jose Ber Gelbard who allegedly had close ties to Graiver. (Gelbard allegedly lost $6 million in deposits with the American Bank and Trust Co. of N. Y. when the bank folded following Graiver's

OPTIONAL FORM 153A
(Formerly FS 413A)
January 1975
Dept of State

50153 201

Approved for Release: 2018/10/01 C06626855

Approved for Release: 2018/10/01 C06626855

death.) According to another version, Gelbard was introduced to a Montonero leader named Carlos Alberto Maguid through Graiver's brother-in-law, Osvaldo Papaleo, who was presidential press secretary during the last Peronist government. It has also been reported that the Graiver investigation is just the tip of an iceberg involving further investigation of links between the Montoneros and the Argentine industrial and financial community. For example, La Nacion hinted April 17 that some 35-40 Argentine and multinational companies would be cited for providing "protection money" to the Montoneros.

(c) The allegation of economic crimes presumably relates to the fraudulent financial practices of the Graiver banks, but there have been hints in the press that the government is also investigating tax evasion and other fraudulent activities on the part of other economic enterprises which may or may not be related to the Graiver interests.

(d) There have been reports that David Graiver's top legal advisor Jorge Rubenstein died, reportedly in an auto accident, although according to another account he died "of a heart attack" while in detention some months ago. Another still unexplained occurrence has been the reported disappearance of Carlos Maguid in Lima on April 12. Maguid apparently participated in the kidnapping of ex-President Aramburu in 1970 and subsequently went into exile in Peru.

(e) Immediately following the abduction of Edgardo Sajon, ex-President Lanusse met with President Videla and shortly

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(Formerly FS 413A)
January 1975
Dept of State

50153 201

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Approved for Release: 2018/10/01 C06626855

thereafter issued a statement that Videla told him the disappearance of Sajon in no way was related to the Graiver investigation. Lanusse was attacked thereafter by La Nueva Provincia, a rightwing daily which has close ties to Buenos Aires Provincial Governor St. Jean, for allegedly having attempted to put pressure on Videla to turn off the investigation into the Graiver affair, because it had implicated many of Lanusse's friends and supporters. In addition to the 15 relatives or close business associates of David Graiver, who according to a military communique are under detention, the press has also reported the arrest of Pedro Jorge Martinez Segovia, who is a business associate of Economy Minister Martinez de Hoz. The investigation is therefore far flung, but it remains unclear at this point how far its originators tend to go and who they are really after./ (However, it does appear that while there may be an undercurrent of /anti-/semitism /involved, /this is not /predominant.) What is clear is that the principals behind the investigation, such as Army First Corps Commander General Suarez Mason and Governor St. Jean, are hardliners who have been dissatisfied with Videla's alleged vacillations in terms of suppressing the terrorists, the labor movement and the recalcitrance of the private business sector to make its quota of economic sacrifice. It was thought that Videla's hand had been strengthened as a result of the self-evaluation process which the three armed services went through on the first anniversary of the coup. It is possible that those behind the Graiver investigation intend to put new pressures on Videla to harden his policies.

OPTIONAL FORM 153A
(Formerly FS-413A)
January 1975
Dept of State

50153 201

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It may be, as Planning Minister Diaz Bessone stated to the press, the military investigators intend to "allow the chips to fall where they may." If Videla should fall by the wayside in the process, then so be it. However, Videla's appointment of an Army General to take over the investigation, on behalf of the Presidency, may in effect have forced the hardliners to step back at least momentarily from this plan, if indeed that is the plan, to see how Videla handles the matter at this juncture. Hopefully, we will have greater insights into the hardliners' plans and prospects after Videla's press conference on subversion which is scheduled late afternoon tomorrow. Another indicator will be whether Videla departs for his visit to Paraguay later this week, as scheduled.

(f) The way the investigation has been conducted thus far undoubtedly is a source of embarrassment for the government, and Videla must be aware of the implications abroad. Enough has been said in the public record to suggest that those behind the probe may be wild men searching for evidence to support their preconceived notions. It may be that they have solid evidence--only time will tell, but the midnight abductions and other pressure tactics which we presume have been used against those detained undoubtedly will jaundice the interpretation which these developments are given abroad. Foreign creditors presumably will also be concerned to learn that some part of Argentina's financial reserves abroad are of terrorist origin.

2. Septel follows with more details. HILL

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